

Potential Sources of Permanent Funding

With the goal of an annual budget of \$5 million permanent funding for NARS, the Working Group identified 9 potential sources of dedicated funding for the NARS. These sources were initially identified from a variety of written and personal sources, including the Nature Conservancy Funding Mechanism Summary (see APPENDIX 8).

There was open discussion on each source's potential to meet the annual budget goal of \$5 million, nexus with natural area management, and feasibility, as well as examples of similar programs and degree to which they have been successful elsewhere. To give Legislators an indication of the Working Group's preferences regarding the 9 potential sources of permanent funding, the sources were ranked by the Working Group using the above criteria (see APPENDIX 9). These sources are discussed and graphically displayed below (see Figure 3):

Figure 2: Comparison of Fiscal Year 2001 Expenditures Per Acre for Protected Area Management in Hawai'i

Landowner	Management Costs/acre	Source of Information
Ecosystem Management of O'ahu Training Lands, U.S. Army	\$271	Personal communication U.S. Army Staff
Haleakala National Park, Maui National Park Service	\$122	Strategic Plan for Haleakala National Park FY 2000-2005
Natural Area Partnership Program (NAPP)	\$66	NAPP Legislative Report 1999
Hakalau National Wildlife Refuge, Hawai'i U.S. Fish and Wildlife Service	\$56	Personal communication USFWS Staff
Natural Area Reserves System	\$11	NARS Legislative Report 1999

The \$31/acre funding, although less than other landowners, can be supplemented by a combination of the other mechanisms identified. For example, Hawaii Island NARS has developed a projected budget and operating structure if the additional funding is realized (see APPENDIX 7.)

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Figure 3: Estimated Annual Revenues from Rated Sources

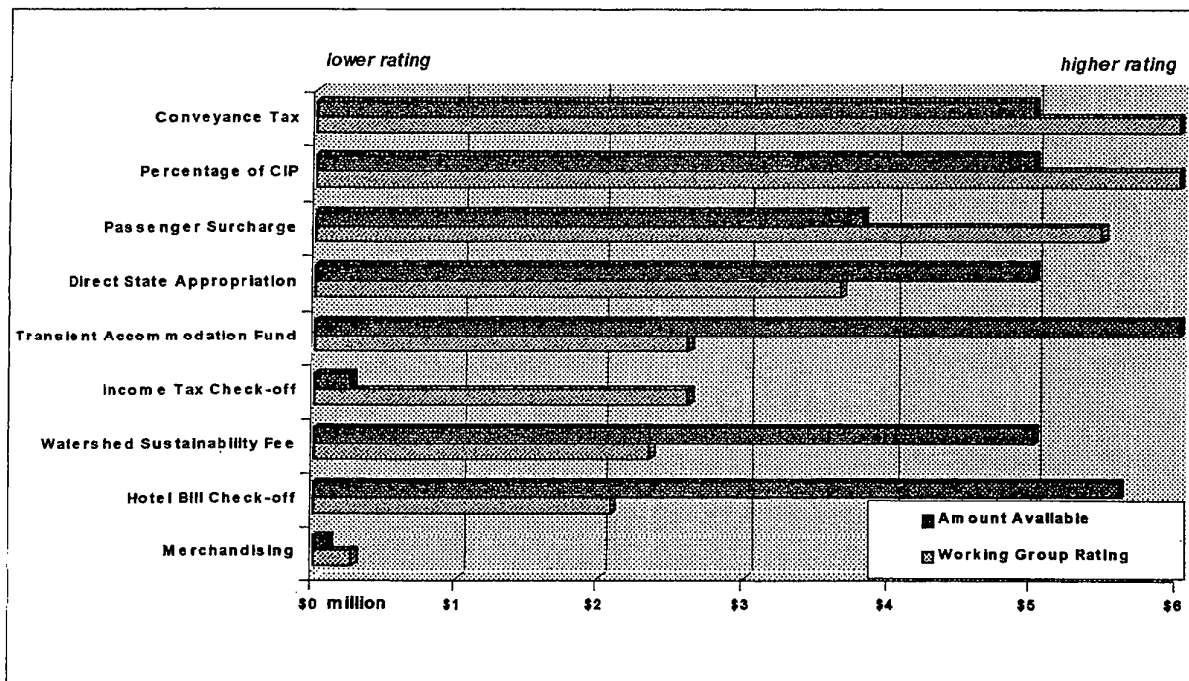


Figure 3. Estimate Millions Annual Revenues

1. Conveyance Tax: Since 1993, 2 successful DLNR programs have enjoyed a dedicated permanent source of state funding: the Natural Area Partnership Program (NAPP), which provides state matching funds on a 2:1 basis with private funds for the management of natural resources on private lands permanently dedicated to conservation; and the Forest Stewardship Program (FSP), which provides state matching funds on a 1:1 basis with private funds for the forestry and forest management on private lands for 10-year periods. These Programs are funded by 25% of the Conveyance Tax (HRS 247), which is levied each time real estate property is bought or sold, with revenues deposited in the Natural Area Reserve Fund.

The Conveyance Tax has an approximate revenue flow of \$10 million a year with 50%, or \$5 million, going to the State General Fund. This amount or a portion of, could be dedicated to NARS. The Legislature has already determined that this Tax is appropriate to be used for the conservation of natural resources on private lands by dedicating 25% to NAPP and FSP. The nexus is clear for use of a portion of the Conveyance Tax for NARS as

the sale, development, and improvement of real estate in Hawaii puts additional pressure on the environment and increases the need and costs to protect natural areas.

Other states have used conveyance taxes as a source of funding for conservation programs. For example, Florida, through a similar real estate transfer tax, dedicates \$300 million a year for conservation land acquisition and management.

2. Percentage of Capital Improvement Projects (CIP): This funding mechanism is presently used by the State Foundation on Culture and the Arts to fund the Works of Art Special Fund (HRS §103-8.5). Basically, 1% of all state fund appropriations for capital improvements designated for the construction cost element -- and only for the construction or renovation of state buildings -- goes into the Works of Art Special Fund. Revenues average \$2 million per year. Obtaining 2.5% of the CIP construction and renovation budget for state buildings could generate \$5 million a year for NARS.

A percentage of CIP funding for the construction or renovation of roads, highways and other state infrastructure could also be dedicated to NARS. Many federal funded projects already have this component in their budgets.

3. Passenger Surcharge: The legality and feasibility of a passenger surcharge should be explored as a permanent source of funding for NARS. While existing federal laws may prohibit such a surcharge, the possibility of making a special case for Hawaii (and other states with tourism-based economies) should be explored. Based on an annual visitor count of 7 million, a nominal surcharge of \$.75 per visitor could generate \$5.25 million a year for NARS.

4. Direct State Appropriation with Baseline Funding: NARS is currently funded by a direct state appropriation from the General Fund via the Biennium Budget. The amount of the appropriation fluctuates from year to year and is subject to immediate spending restrictions. The NARS budget peaked at \$2.5 million in 1991, and has steadily declined to \$1.17 million in Fiscal Year 2001 (see Figure 1)

5. Transient Accommodation Tax and Tourism Special Fund: Effective January 1, 1999, the Transient Accommodation Tax (TAT) on hotel room fees increased to 7.25% (ACT 156, SLH, 1998). Of the total revenues collected, 44.8% is transferred to the Counties, 17.3% is deposited into the Convention Center Capital

Special Fund, and 37.9% is deposited into the Tourism Special Fund (TSF). Reallocating a portion of the TAT for native resource protection is a potential source of funding for the NARS.

The TSF is also a potential source of permanent funding for NARS. However, some members of the Group were reluctant to identify the TSF as a funding source for natural resource management based on their understanding that the TSF was established to market and develop the visitor industry. Other members of the Working Group felt that TSF funds could be appropriated to manage NARS and other natural resources and attractions which help attract visitors to the Islands; maintain safe facilities and sites; and generally enhance the visitors' outdoor experience in Hawai'i.

Aside from NARS, the Working Group discussed the possibility of using TSF funds to improve visitor-oriented infrastructure, such as parks, public restrooms, trails, and interpretative signs.

6. Income Tax Check-Off: Check-off boxes could be put on state income tax return forms to allow filers to donate a portion of their tax refund to the NARS. Conservation check-offs are used in 36 states with limited success. Although not advised for land acquisition because of the low revenue generally received, the income tax check-off could generate moderate supplemental revenue for NARS.

7. Watershed Sustainability Fee: All but 2 of the Reserves are part of watersheds, and many of them are located in the primary watersheds of the State. Adding approximately \$1.40 to each water bill in Hawai'i could generate \$5 million for NARS. Native forests, including many of the Reserves, are effective watersheds in terms of both quality and quantity of water. This funding mechanism has been used in New York City to protect the upstream forests that provide the City's water supply.

8. Hotel Bill Check-Off Contribution: This mechanism would be a state-sponsored effort to obtain voluntary donations from visitors for natural resource management. The visitor would make a donation during the checkout process. This type of program has been used in Europe with limited success. However, a recent survey commissioned by the Sierra Club, Hawai'i Chapter, found that 81% of the 1,000 visitors surveyed on Maui would be willing to make a donation of \$1 a day during their visit to preserve Maui's natural areas, coastlines, and Hawaiian

cultural sites in a land trust if it were a dedicated charge to their hotel room rate for that purpose.

9. Merchandising: Texas, Los Angeles County, and the National Audubon Society, for example, have popular product lines. Third parties are licensed to market and sell items such as t-shirts, caps, patches, backpacks, calendars, note cards, etc., all of which generate significant amounts of revenues. For example, revenues generated from a line of attractive affordable products featuring Hawai'i's native species and ecosystems could be dedicated to NARS.

Other Potential Supplemental Income Sources

The Group also identified and discussed other potential sources of income for NARS. However these did not meet the criteria for permanent dedicated funding along with significant revenue generating potential. Some of these sources have the potential to increase public awareness and support for the NARS, as well as generating additional revenues.

Federal Grants: Presently DLNR receives U.S. Fish and Wildlife Service Section 6 and discretionary funds. Although these grants support conservation activities in DOFAW, they are year-to-year, project specific, and amounts can fluctuate greatly. In addition, most of these grants require State-matching funds, which may not be available without permanently dedicated funding. The USFWS feel strongly that the Legislature should support conservation programs at similar levels as some other states.

Sales Tax: The Working Group briefly discussed the possibility of dedicating a certain percentage of general sales tax, but did not rank this potential source. Arkansas and Missouri are 2 states presently using a percentage of general sales tax returns for conservation programs. This mechanism would provide a permanent dedicated flow of money.

Non-Consumptive User Fees: The National Park Service charges entry fees, which are used to manage the National Parks. For example, Haleakala National Park generates over 2 million per year from entry fees. DLNR presently charge entry fees in high use areas such as Diamond Head, a user fee for commercial use of trails, and are presently doing a feasibility study on entry fees at Kokee State Park. However, the NARS are dedicated for preservation purposes, and, although DLNR encourages public

enjoyment of the Reserves, it does not encourage public use of the Reserves at the level necessary to generate sufficient income to encourage collecting user fees.

Grants from Non-Government Organizations: These grants are generally small amounts which can fluctuate greatly from year-to-year, and they often require a state match.

Restoration Funds from Mitigative Measures: These funds, often court ordered, presently support some conservation activities by DLNR, such as oil spill cleanup. They are project-specific and are not permanent.

Trust Fund/Non-Profit 501(3)(c): The NARS presently has a funding mechanism to receive tax-exempt donations through the University of Hawaii Foundation. However, generally, donors believe their tax dollars should support government conservation agencies and prefer giving donations to non-government organizations instead.

Affinity Credit Cards: With this mechanism, a percentage of credit card user fees could go to NARS. This could be an effective public outreach tool. However, with the small population base in Hawai'i, it would not generate revenues significant enough to reach the funding goals.

Conservation License Plates: Conservation license plates would also be an effective public outreach tool, but, again, with the small population base in Hawai'i, it would not generate significant revenues.

Stumpage from Logging Leases: Some states have funneled revenues from logging leases into conservation programs. The justification for this is those making profits from logging in commercial forests should mitigate impacts to the affected adjacent natural areas.

Oxygen/CO2 Credits: The Group briefly discussed the possibility of using oxygen/carbon dioxide credits as a means to fund the NARS. This mechanism has been successfully implemented in natural area in Costa Rica.